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SUBJECT: GEORGIA WARNS OUTSIDE INVESTORS ON BUYING PROPERTY
IN CONFLICT ZONES

REF: TBILISI 602

1. On August 3, Post received a diplomatic note from the Georgian Ministry of Foreign Affairs regarding its concern about possible sales of property belonging to IDP's by the de facto governments in Abkhazia and South Ossetia. As part of the 1994 Quadripartite Agreement, signed by Georgia, Abkhazia and Russia, the sides agreed to work to ensure the safe, voluntary and dignified return of IDPs to Abkhazia. Georgia fears, with reason, that the sale of IDP's homes and apartments, which they were forced to abandon in the early 1990's, will make their eventual return impossible.

Begin text:

Circular Note

No. 6/3277-12

The Ministry of Foreign Affairs of Georgia presents its compliments to the Diplomatic Missions accredited in Georgia and has the honor to deliver the Non-Paper, regarding the official position of the Georgian side about the illegal alienation of private and state property by the separatist regimes of Abkhazia and Tskhinvali region/South Ossetia, Georgia.

The Ministry of Foreign Affairs of Georgia avails itself of this opportunity to renew to the Diplomatic Missions in Georgia the assurances of its highest consideration.

Tbilisi, 2 August, 2007

Non-Paper

On Issues Related to Illegal Acquisition of Property in
Conflict Regions of Georgia

-- In the mission to solve peacefully the territorial conflicts, protection of human rights and interests of internally displaced persons (IDPs) is a topmost priority to the Georgian Government. First, this concerns the inalienable right of IDPs/refugees to voluntarily return to the entire territory of Abkhazia, Georgia in safety and dignity. The same is true of the Tskhinvali region/South Ossetia.

-- Both Abkhazia and Tskhinvali region/South Ossetia are indivisible parts of the Georgian state in its internationally recognized borders and is within Georgian jurisdiction. For the time being, de facto the territories of the regions are temporarily and illegally under control of separatist regimes.

-- Among other consequences of this state of affairs, the process of an illegal acquisition of private and governmental

property (hotels, sanitariums, tourist centers, factories, coal layers) has been long ago launched by the leaders of the separatist regimes.

-- Immovable property of the Georgian state and IDPs is being illegally seized by new "proprietors", who try to change locations of buildings, names and numbering of the streets, exteriors of houses so that the owners and their legitimate heirs could hardly claim their rights on their real estate, due to inability to identify it.

-- With the aim of implementation of the existing Georgian legislation, in order to ensure the protection of the right in question and protect legitimate interests of Georgian citizens and the State itself, the Presidential program entitled "My House" has been developed.

-- According to the Georgian legislation, any investment made on the territory of Abkhazia, Georgia is deprived of any legitimate basis and is a priori declared null and void. It means that any current investor puts himself at risk of losing the invested money.

-- There will be no justification for the outside investors, since the international community is properly informed of the illegal nature of any transactions carried out in Abkhazia without preliminary consent of the Georgian side. Thus, in case of further investments, an investor, who, has been preliminary and adequately notified of impermissibility of transactions in questions, may face a possibility of civil liability or even criminal responsibility.

-- Implementation of the Georgian legislation enables the IDPs and other natural or legal persons to claim their immovable property on the uncontrolled territories according

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to the rules and forms approved by the Minister of Refugees and Accommodation of Georgia.

-- Abkhazia is a conflict zone, where there is a very high crime rate including kidnapping, abduction for the purpose of ransom, etc. Human rights of the local population are being grossly violated on a daily basis.

-- A potential investor, who wishes to make his/her money work in Abkhazia, should be fully aware that mentioned property is "Trophy" and he or she will have to make deals with separatist regime involved in ethnic cleansing, which is condemned by documents of the OSCE Lisbon, Istanbul, Budapest summits, and that a considerable amount of property that is the subject of illegal deals, belong to Georgian citizens forcibly expelled from Abkhazia.

-- The Georgian side will continue providing the International Community with updated information regarding this issue.

End text.

12. Comment: The dip note from the Ministry of Foreign Affairs is the latest step in Georgia's campaign to draw attention to the problem of illegal property transactions in Abkhazia and South Ossetia. It may be an attempt to build a case to present at the European Court of Human Rights in Strasbourg, as Shota Malashkhia, Chairman of the Parliamentary Commission on Territorial Integrity, indicated in March (reftel). It also presents Georgia's official response to recent media reports of Russian companies purchasing property in Abkhazia near the border with Sochi in anticipation of the 2014 Olympic Games. Considering that the Abkhaz de-facto authorities have already passed a "parliamentary" decree effectively nullifying all IDP claims to property, the rhetoric between the Georgian and Abkhaz sides will likely continue to escalate. A Georgian claim at the EU Human Rights Court would also likely identify Russia

as the primary illegal investor in Abkhaz territory, placing further strains on an already tense relationship.

13. Comment continued: The note was received about the same time as unconfirmed reports appeared in the Georgian press that the city of Sokhumi has begun to register apartments in one district previously populated by Georgians for sale at auction. Statements by a Sokhumi official suggested that the extreme state of dilapidation of the apartments, thirteen years after they were abandoned, justifies putting them back in to use, possibly as housing for construction crews involved in preparation for the Winter Olympics in 2014. The GOG has expressed concern about investments by Russia itself in Abkhazia in enterprises to supply the Olympics. The Russian Ambassador in Tbilisi, Vyacheslav Kovalenko, has said that Russia "will not invest in Abkhazia without Tbilisi's agreement." While the Ambassador's promise may apply to the Russian government, it is not clear how it will deter private Abkhaz, Russian and other foreign citizens who are likely to be eyeing abandoned apartments in the subtropical vacation area with envy. End Comment.
PERRY